

Central European Law

JOHN REGIS COOGAN, CHAVDAR POPOV, DON MARKUSIC, TOMISLAV BORIC,
PETR KOTÁB, LADISLAV ŠTOREK, SUSAN TIETJEN, RAINO PARON, ZOLTÁN GRMELA,
FILIP K. KLAVIŇŠ, DARIUSZ OLESZCZUK, WOJCIECH MACHAŁA, ANDREW B.
KINGSTON, IVO BÁRTA, AND LALIN RADOVAN

Introduction*

The year 1996 was another year of brisk development in the commercial law field in Central Europe. Generally, the countries of Central Europe continued several trends that have been in evidence in the region since the fall of communism. In some cases, the commercial law trends in Central Europe are part of general trends that are discernible in emerging markets throughout the world. The trends in evidence in Central Europe in 1996 include:

- privatization;
- liberalization of foreign investment laws;
- modernization of rules on pledge, secured transactions, and other commercial transactions;
- modernization of bankruptcy and insolvency laws;
- modernization of securities regulation; and
- improving the administration of justice and strengthening the rule of law.

Many of the developments listed below are addressed in detail in articles appearing in the *Central European Law Committee Newsletter* of the Section of International Law and Practice. The newsletter is distributed quarterly to Committee members and others. For more information, please contact William J. Bryan, Staff Assistant of Programs and Publications, at the ABA Section of International Law and Practice, 740 15th Street, N.W., Washington, D.C. 20005;

John Regis Coogan coordinated the entire Central European Law Report and he is the author of the "Introduction." Chavdar Popov is the author of "Bulgaria." Don Markusic and Tomislav Boric are the authors of "Croatia." Petr Kotáb, Ladislav Štorek, and Susan Tietjen are the authors of "Czech Republic." Raino Paron is the author of "Estonia." Zoltán Grmela is the author of "Hungary." Filip K. KlaviŇš is the author of "Latvia." Dariusz Oleszczuk, and Wojciech Machała are the authors of "Poland." Andrew B. Kingston is the author of "Romania." Ivo Bárta and Susan Tietjen are the authors of "Slovak Republic." Lalin Radovan is the author of "Federal Republic of Yugoslavia (Serbia and Montenegro)."

*John Regis Coogan is an attorney with the Legal Department of the International Finance Corporation in Washington, D.C. He is co-chair of the Central European Law Committee.

phone: 202/662-1671; fax: 202/662-1669; e-mail: williambryan@staff.abanet.org to be added to the *Central European Law Committee Newsletter* mailing list.

Bulgaria*

Significant commercial law developments in Bulgaria during 1996 included the following:

1. *The Law on Privatization Funds* (State Gazette No. 1/1996). The law was an important step in the regulation of the mass privatization process. It provided the regulatory framework for collective investment.
2. *Law on State Property* (State Gazette No. 44/1996) and *Law on Municipal Property* (State Gazette No. 44/1996). The two laws established a clear distinction between state and municipal property and a precise regulation of the terms and conditions for the use, sale, or lease of state or municipal property.
3. *The Law on Profits Tax* (State Gazette No. 59/1996). The law established a new regulation of taxation. In some aspects, e.g., investment funds and holding companies, the law offers significant improvements. Also, the law provides for certain tax incentives for foreign investors.
4. *Part Three of the Law on Commerce* (Commercial Code) (State Gazette No. 83/1996), regulating commercial transactions. Prior to its adoption, commercial transactions were regulated by general civil law dating to 1951. The new legislation provides modern regulation of, *inter alia*, sale, lease, commission, carriage, insurance, deposit and banking contracts and checks, bills of exchange, and promissory notes. The Commercial Code changes are considered in further detail in the Fall 1996 issue (Vol. 1, No. 2) of the *Central European Law Committee Newsletter*.
5. *The Law on the Protection of New Plant Varieties and Animal Breeds* (State Gazette No. 84/1996). For the first time, the law offers protection of the rights over new plant varieties or animal breeds.
6. *The Law on Insurance* (State Gazette No. 86/1996) for the first time lays down the rules for carrying on insurance activities by private insurers.
7. *The Law on Special Pledges* (State Gazette No. 100/1996) is expected to facilitate significantly the provision of credits by establishing a new system of security through registered pledges.
8. *The Law on Notaries Public* (State Gazette No. 104/1996) places notarial services on a private basis.

Croatia**

Croatian laws, of significance to foreign investors, which were passed or came into effect in 1996 should be considered in light of the major legal developments since independence in 1991, which form the foundation of the current legal framework. Croatia essentially adopted the existing laws of the former legal system, to the extent that they did not conflict with the

*This report was prepared by Chavdar Popov of ExLege Consulting Ltd. in Sofia, Bulgaria.

**This report was prepared by Don Markusic of Lambert, Grohmann, Deissenberger, Stolitza, Roehsner in Vienna, Austria, and Dr. Tomislav Boric, Institute of Comparative Law, Faculty of Law, University of Vienna, Austria.

newly written Constitution of the Republic of Croatia, *Narodne novine* (Official gazette) 56/1990, which grants foreign investors equal status with domestic companies and provides basic guarantees in relation to rights of land ownership and the free transfer and repatriation of profits.

New legislation, largely based on EU law and German law in particular, is constantly being enacted to replace the existing laws and to develop and expand upon the provisions of the Constitution, which envisages the development of a new legal system. The Law on Companies, *Narodne novine* 111/1993 (effective since 1 January 1995), is the principal commercial legislation and regulates foreign investment in Croatia. It is based on German and Austrian law and its core feature is that it accords equal status to foreign and domestic investors. Although most of the new laws are predominantly based on foreign models, they have just begun to be subject to the test of practical experience that will inevitably produce leading commercial law decisions.

1. *Law on Securities*, *Narodne novine* 107/1995 (effective 1 January 1996). It regulates the public offer of securities and the rights and obligations of market participants, in particular the protection of investors. Establishes the Croatian Securities and Exchange Commission (CROSEC) as the regulatory body as well as the Central Depository Agency, responsible for the clearing and settlement of securities transactions.
2. *Law on Investment Funds*, *Narodne novine* 107/1995 (effective 4 January 1996). It recognizes investment funds as a significant component of the capital market. An investment fund must be approved by CROSEC and be managed by a fund management company, the assets of which are required to be kept separate.
3. *Law on Trade*, *Narodne novine* 11/1996. It regulates trading and commercial activities both within Croatia and with foreign countries and provides for the imposition of protective measures in relation to imports and exports.
4. *Privatization Law*, *Narodne novine* 21/1996. It complements the Law on the Transformation of Socially Owned Enterprises of 1991 and obliges the Croatian Privatization Fund to privatize assets and shares derived in the privatization process.
5. *Labor Law*, *Narodne novine* 38/1995 (effective 1 January 1996). It is based on German law and makes employment contracts mandatory, which can be terminated by giving the required notice. It abolishes the former self-management system and also allows for collective agreements.
6. *Bankruptcy Law*, *Narodne novine* 44/1996 (effective 1 January 1997). It provides substantial protection of the rights of creditors. It is predominantly based on German law, although the latter does not enter into force until January 1, 1999. It introduces the concept of restructuring and reorganization of companies.
7. *Law on Free Trade Zones*, *Narodne novine* 44/1996.
8. *Law on Customs Tariffs*, *Narodne novine* 49/1996, as amended 80/1996.
9. *Execution Law*, *Narodne novine* 57/1996.
10. *Law on Ownership and Other Rights In Rem*, *Narodne novine* 91/1996 (effective 1 January 1997). Based on Austrian, German, and Swiss models, it overcomes the deficiencies and obsolete nature of the Basic Property Relations Act 1980, which resulted from the dualism of social and private property. It also provides that ownership of real estate must be registered in the land registers that are maintained by municipal courts. It establishes a new legal regime for ownership and other rights in rem and reflects the Constitutional provisions on the inviolability of private property.

11. *Law on Land Registers*, Narodne novine 91/1996. Based on the Austrian land registration system, it improves upon the existing registration system and provides for a computerized system of registration of land and title.
12. *Law on the Lease of Apartments*, Narodne novine 91/1996. Abolishes a system of tenancy rights that were unique to the former communist regime and establishes a new Western-oriented system of landlord/tenant rights.
13. *Restitution Law for Property Confiscated During the Yugoslav Communist Regime*, Narodne novine 92/1996 (effective 1 January 1997). It provides for the restitution of property or compensation for Croatian natural persons and legal entities, and provides for the protection of bona fide purchasers. Compensation awards are limited to a maximum of 3.7 million Croatian kuna and are not payable in monetary amounts but received in the form of vouchers to purchase assets and shares that are held by the Croatian Privatization Fund.
14. *Law on the Postponement of the Implementation of the Law on Value Added Tax*, Narodne novine 106/1996. It postpones for one year the implementation of the Value Added Tax Act that was to enter into force on 1 January 1997, imposing a twenty-two percent VAT on goods and services.

Czech Republic*

Set forth below is a list of the most important commercial legislation and regulations enacted or issued in the Czech Republic in 1996 in the order published in the Collection of Laws (*Sbírka zákonů*, abbreviated herein as Coll.). All acts (statutes) of Parliament, certain government decrees and Ministry rules and regulations, and the holdings of all Constitutional Court decisions are numbered, starting anew each year, and published in general chronological order in the Collection of Laws. The citations refer to the assigned number and the year. Decisions of other courts in the Czech Republic are published only sporadically and do not appear in the Collection of Laws.

1. *Regulation of the Ministry of Finance No. 8/1996 Coll. Amending Regulation of the Ministry of Finance Implementing Certain Provisions of the Customs Act*. These amendments simplify the "transit" custom regime between countries and provide for more detailed rules governing procedures in the case of particular customs regimes. The amendments also introduce a new, more simplified form of Customs Declaration more similar to those used in Western countries.
2. *Act No. 61/1996 Coll. on Certain Measures Against the Legalization of Profits Resulting from Criminal Activities and Amending Related Acts*. This law on protection against money laundering imposes new obligations on financial institutions (banks, securities dealers, investment funds, etc., including casinos) to preserve data about their clients for a period of ten years and to report all financial transactions involving more than CZK 500,000. All unusual operations must also be reported. Severe penalties may be imposed for noncompliance.
3. *Act No. 85/1996 Coll. on Advocacy*. This act replaces the previous Act on Advocacy and introduces certain changes with respect to rendering legal services. In particular, it establishes a single bar, the Chamber of Advocates (formed from the former Chamber of Advocates and Chamber of Commercial Lawyers), and allows for the admission

*This report was prepared by JUDr. Petr Kotáb, Mgr. Ladislav Štorek and Susan Tietjen, of Altheimer & Gray in Prague, Czech Republic.

of foreign lawyers for practice in the Czech Republic of their home jurisdiction and international law.

4. *Act No. 89/1996 Coll. Amending Act of the Czech National Council No. 344/1992 Coll. on the Real Estate Cadastre of the Czech Republic (Cadastre Act) and Civil Code.* These amendments newly stipulate that, if real estate not registered in the Real Estate Cadastre (such as unfinished construction, underground construction, etc.) is transferred, the ownership to such real estate passes to the new owner as of the date on which the pertinent contract takes effect.
5. *Act No. 94/1996 Coll., Amending Acts on Bankruptcy and Composition, on Trades Licensing (the Trades Act), the Commercial Code, and the Civil Code.* These amendments intend to provide more effective protection of creditors during bankruptcy proceedings. Among other changes, they provide a new, precise definition of insolvency, expand the types of security interests with preferred treatment, and void certain transactions by the debtor made in the six months prior to the date of filing for bankruptcy.
6. *Act No. 142/1996 Coll. Amending the Commercial Code and the Civil Code.* These extensive amendments introduce significant minority shareholder protections (e.g., strict buyout rules in takeovers and limitations against minority shareholder squeeze-outs), recognize preemptive rights as a security, provide more detailed rules for corporate restructurings and corporate governance (including more specific provisions on the liability of members of corporate bodies), and clarify numerous corporate procedures. For a detailed description of some of the changes, please see the articles in the Summer and Fall 1996 issues (Vol. 1, Nos. 1 and 2) of the *Central European Law Committee Newsletter* of the ABA Section of International Law and Practice.
8. *Act No. 151/1996 Coll. Amending Act on Investment Companies and Investment Funds.* These amendments strengthen state control over investment companies, and thus over the capital markets, by introducing new reporting requirements and stricter rules for a change of an investment fund into an ordinary joint stock holding company and a change of a closed-end fund into an open-end fund.
9. *Act No. 152/1996 Coll. Amending Act of the Czech National Council No. 591/1992 Coll. on Securities, and Act No. 214/1992 Coll. on the Stock Exchange.* Among numerous other changes, these significant amendments expand the reporting requirements of an issuer, provide for trading of certain financial "derivatives," such as options and forward rights, and introduce the use of subregisters in order to help speed the settlement of securities trades. For a detailed description of some of the changes, please see the Summer 1996 issue (Vol. 1, No. 1) of the *Central European Law Committee Newsletter*.
10. *Act No. 316/1996 Coll. Amending Act of the Czech National Council on Income Taxes.* These amendments introduce significant changes in, among others, personal income taxation, taxation of income resulting from the sale of securities, taxation of income of foreign experts (abolishing their twenty-five percent reduction in taxable income), and taxation of corporate transactions (although no change in the tax rate).
11. *Act No. 323/1996 Coll. Amending Act of the Czech National Council on the Administration and Collection of Taxes.* These amendments set forth new provisions concerning tax procedures, under which, for example, a taxpayer may apply for an extension of the original tax deadline or file a supplementary tax return in the case where a lower tax liability or higher tax loss arises than in the original tax return. Tax penalties are limited to a maximum period of five hundred days, after which a penalty in the amount of 140 percent of the Czech National Bank's discount rate can be imposed.

Estonia*

The following is a selective list of commercial laws and regulations that were adopted in Estonia during 1996 and are of interest to the international business and legal community. Cites are to *Riigi Teataja*, the Estonian Official Gazette. *Riigi Teataja* is published in four parts. Part One contains legislative acts adopted by the *Riigikogu* (Estonian Parliament), the president, and the government of Estonia. Part Two reports international agreements and treaties concluded by Estonia. Part Three reports the cases decided by the *Riigikobus* (the National Court or the Supreme Court). Part Four contains legal acts of Estonian ministries, the Bank of Estonia (the Central Bank), the State Comptroller's Office, and local municipalities. A typical cite to *Riigi Teataja* appears as "RT I 1993, 20, 352" and should be read: Part I of *Riigi Teataja* for 1993, volume No. 20, Article No. 352.

Estonian laws are also published in English in *Estonian Legislation in Translation*. For a subscription to *Estonian Legislation in Translation*, please contact: Estonian Translation and Legislative Support Centre, Tõnismägi 8, EE0001, Tallinn, Estonia, phone: (372) 6 316 136, fax: (372) 6 461 075, e-mail: keskus@legaltext.ee.

A. NEW ESTONIAN LAWS AND REGULATIONS

1. *Law on Restrictions on the Transfer of Real Property to Foreigners, to Foreign States and to Legal Persons* (Välismaalasele, välisriigile ja juriidilisele isikule kinnisomandi üleandmise kiitsendamise seadus), RT I 1996, 39, 766. The new law is discussed in detail in the Fall 1996 issue (Vol. 1, No. 2) of the *Central European Law Committee Newsletter*, ABA Section of International Law and Practice.
2. *Law on Non-Profit Companies* (Mittetulundusühingute seadus), RT I 1996, 42, 811.
3. *Commercial Pledges Act* (Kommertspandiseadus), RT I 1996, 45, 848.
4. *Bankruptcy Law* (Pankrotiseadus), RT I 1997, 5/6, 23. It replaces the Bankruptcy Law adopted June 10, 1992.
5. *The Order of Registration and Promulgation of Public Issues of Securities* (Väertpaberite avaliku väljalaske registreerimise ja väljakuulutamise kord), Decree No. 190 of July 16, 1996, RT I 1996, 55, 998.
6. *The Order of Taking of Foreign Loans for the Republic of Estonia and of Giving State Guarantees to Foreign Loans* (Eesti Vabariigile välislaenude võtmise ja välislaenulepingutele riigigarantiide andmise kord), Decree No. 198 of July 23, 1996, RT I 1996, 57, 1045.
7. *The Order of Privatization of Land Which Is Subject to Preemptive Right of Purchase* (Maa ostueesõigusega erastamise kord), Decree No. 267 of November 6, 1996. Published in RT I 1996, 77, 1372.
8. *The Order of Privatization of Land with Competitive Bidding* (Maa enampakkumisega erastamise kord), Decree No. 268 of November 6, 1996, RT I 1996, 78, 1385.
9. *The Order of Setting Building Title on State Land* (Riigimaale boonustusõiguse seadmise kord), Decree No. 276 of November 8, 1996, RT I 1996, 79, 1404. Building title (*boonustusõigus* in Estonian) is the right of a person to own buildings on land owned by another person. Under Estonian law, building title is considered real property and legal norms applicable to real property are also applied to building title. Building title can be created for a period of time not less than 36 years and not exceeding 99 years.

*This report was prepared by Raino Paron of Raidla & Partners in Tallinn, Estonia.

Substantial amendments were also made during 1996 to laws and regulations in the following areas: (i) privatization of state property; (ii) land reform; (iii) taxation; (iv) transactions with securities; (v) insurance, and (vi) company law.

B. ESTONIAN LEGISLATION IN TRANSLATION

In 1996, the State Chancellery of Estonia and the Estonian Translation and Legislative Support Centre started the publication of *Estonian Legislation in Translation*, a monthly publication in English containing translations of the most important Estonian laws. During 1996, translations of the following laws were published:

1. *The Constitution of the Republic of Estonia (Eesti Vabariigi põhiseadus)*, No. 1 January.
2. *The Constitution of the Republic of Estonia Implementation Act (Eesti Vabariigi põhiseaduse rakendamise seadus)*, No. 1 January.
3. *The Government of the Republic Act (Valitsusseadus)*, No. 2 February.
4. *Public Service Act (Consolidated) (Avaliku teenistuse seadus)*, No. 3 March.
5. *State Public Servants Official Titles and Salary Scale Act (Riigiteenistujate ametinimetuste ja palgaastmestiku seadus)*, No. 3 March.
7. *Commercial Code (Estonian Companies Act) (Consolidated to 12 June 1996) (Äriseadustik)*, Nos. 4–6 April, May, June.
8. *President of the Republic Election Act (Presidendi valimisseadus)*, No. 7 July.
9. *Riigikogu (Parliament) Election Act (Riigikogu valimisseadus)*, No. 7 July.
10. *Local Government Council Election Act (Kobalike omavalitsuste valimisseadus)*, No. 7 July.
11. *Law of Property Act (Asjaõigusseadus)*, Nos. 8–10 August, September, October.
12. *Law of Property Act Implementation Act (Asjaõigusseaduse rakendamisseadus)*, Nos. 8–10 August, September, October.
13. *Commercial Pledge Act (Kommertspandiseadus)*, Nos. 8–10 August, September, October.
14. *Packaging Act (Pakendiseadus)*, No. 11 November.
15. *Weights and Measures Act (Mõõteseadus)*, No. 11 November.
16. *Medicinal Products Act (Ravimiseadus)*, No. 11 November.
17. *Principles of the Civil Code Act (Tsiviilseadustiku üldosa seadus)*, No. 12 December.

Hungary*

1. *Act I of 1996 on Radio and Television Broadcasting* (Magyar Közlöny 1996. január 15., 3. szám). Act I of 1996, commonly referred to as the "Media Act," contemplates fundamental changes to the operation of the media in Hungary. The two main objectives of the Media Act are: (i) ensuring the independence of the public radio and television channels from political influence; and (ii) creating a legal framework under which private radio and television channels with nationwide coverage may commence operations. The Media Law is discussed more fully in the Summer 1996 issue (Vol. 1, No. 1) of the *Central European Law Committee Newsletter* of the ABA Section of International Law and Practice.
2. *Act XXVI of 1996 on Amendments to Certain Provisions of the Civil Code of the Republic of Hungary* (Magyar Közlöny 1996. április 19., 31. szám). A major amendment to the Civil Code concerning liens was introduced by the Hungarian legislature on April 9, 1996, to provide a proper legal framework for the efficient operation of security interests and to encourage secured credit transactions in Hungary.

*This report was prepared by Dr. Zoltán Grmela of Gárdos, Benke, Mosonyi & Tomori in Budapest, Hungary.

3. *Act XLVIII of 1996 on Public Warehousing* (Magyar Közlöny 1996. június 11., 46. szám). This act replaced the public warehousing provisions of Act XXXVII of 1875 on the Commercial Code and regulates the creation, operation, and state supervision of public warehouses.
4. *Act LVII of 1996 on the Prohibition of Unfair Market Practices and Non-Competition Agreements* (Magyar Közlöny 1996. július 10., 56. szám). Competition regulation under this act embraces the following areas: (i) unfair competition; (ii) unfair influence on consumer decisions; (iii) noncompetition agreements; (iv) abuse of economic power; and (v) merger control.
5. *Act LXXX of 1996 on Amendments to Act LXXIV of 1992 on General Turnover Tax* (Magyar Közlöny 1996. november 15., 98. szám). This act introduced many amendments to the rules related to general turnover tax, including that input turnover tax (or VAT) is not reclaimable if the price is paid in cash above a certain limit.
6. *Act LXXXI of 1996 on Corporate Tax and Dividend Tax* (Magyar Közlöny 1996. november 15., 98. szám). The corporate tax rate remained eighteen percent. However, the twenty-three percent supplementary tax was replaced by a dividend tax equivalent to twenty percent of the dividend declared from all dividend payments except those payable to Hungarian corporations. Nonresidents may reclaim the difference between the twenty percent dividend tax and the withholding tax rate provided in the relevant bilateral tax treaty with Hungary.
7. *Act LXXXIII of 1996 on Amendments to Act CXVII of 1995 on Personal Income Tax* (Magyar Közlöny 1996. november 15., 98. szám). The expatriate personal income tax relief whereby the personal income tax base of expatriates was reduced by twenty-five percent was abolished.
8. *Act LXXXVI of 1996 on Amendments to Act XCI of 1990 on the Order of Taxation* (Magyar Közlöny 1996. november 16., 99. szám). This act introduced changes in tax administration.
9. *Act CXI of 1996 on the Offering of Securities, Investment Services and Securities Exchange* (Magyar Közlöny 1996. december 12., 109. szám). One of the greatest innovations of the new Securities Act was the removal of the requirement that shares be represented through the creation of printed share certificates.
10. *Act CXII of 1996 on Credit Institutions and Financial Enterprises* (Magyar Közlöny 1996. december 12., 109. szám). This act created a new code for the banking sector.
11. *Act CXV of 1996 on Amendments to Act XVIII of 1991 on Accounting* (Magyar Közlöny 1996. december 12., 109. szám). This act introduced many amendments to the rules on accounting, including that consolidated annual reports must be approved by the general meeting of the parent company.

Latvia*

1. *Amendments to the Law on Foreign Investments in the Republic of Latvia*, Act 247 of 1996, The Republic of Latvia Saeima and Cabinet Reporter (SCR) No. 19 (1996), pp. 6-7. These amendments removed many of the restrictions on the types of business in which foreign company investors could have controlling interests, including the requirement for governmental permission prior to certain large investments. The amendments to the

*This report was prepared by Filip K. Kļaviņš of Kļaviņš, Slaidins & Loze in Riga, Latvia.

Foreign Investments Law are analyzed in detail in the Summer 1996 issue (Vol. 1, No. 1) of the *Central European Law Committee Newsletter*.

2. *Law on Insolvency of Enterprises and Entrepreneurial Associations*, Act 265 of 1996, SCR No. 20 (1996), pp. 8-41. This law resulted in part from the 1995-96 banking crisis in Latvia, and regulates insolvency in much greater detail than the previous law.
3. *Law on the Free Trade Agreement Between the Republic of Estonia and the Republic of Latvia and the Republic of Lithuania on Trade in Agricultural Products*, Act 305 of 1996, SCR No. 21 (1996), pp. 35-41. The law is viewed as a major step toward creating a unified economic environment in the Baltic States.
4. *Riga Commercial Free Port Law*, Act 351 of 1996, SCR No. 23 (1996), pp. 56-63; and *Ventspils Free Port Law*, Act 428 of 1996, SCR No. ____ (1996), pp. _____. These two laws create the first "tax-free" commercial zones in Latvia, intended to attract investment and to develop these port areas.

Poland*

The list below represents major commercial law developments in Poland during 1996. The list covers legislation published in the Official Journal of Statutes—*Dziennik Ustaw* (Dz.U.)—up to issue 152/96.

1. *Law of December 22, 1995 on the Amendment to the Commercial Code and Certain Other Acts* (Dz.U. No. 6/96 pos. 43). The amendment concerned the data which has to be disclosed in any statement on the part of a commercial law company (the company's address, names of the Management Board members, share capital, registration data) and the duty to publish certain data—in particular the texts of entries in the Commercial Register in the Court and Commercial Monitor (*Monitor SBdowy i Gospodarczy*). Effective date: April 23, 1996.
2. *Announcement of the Minister of Finance of December 18, 1995 regarding the Publication of the Unified Text of the Insurance Activities Law* (Dz.U. No. 11/96 pos. 62).
3. *Law of February 2, 1996 on the Amendment of the Labor Code and Certain Other Acts* (Dz.U. No. 24/96 pos. 110). An extensive restatement of the Labor Code, the amendments concern most of the fields that the Code regulates (including provisions on working hours, paid vacation, execution and termination of employment agreements, employer and employee liability, etc.). The philosophy of the restatement was to regulate employment relationships in a more flexible manner and to harmonize these regulations with international labor standards. Unlike the Labor Code prior to the restatement, the Labor Code as amended applies to all employers and employees in Poland. The effective date is June 2, 1996, except for provisions regarding working hours and paid vacation, which came into force as of January 1, 1997 (and subject to other minor provisos).
4. *Announcement of the Minister of Finance of February 28, 1996 regarding the Publication of the Unified Text of the Council of Ministers' Regulation on Investment Tax Deductions and Income Tax Reductions* (Dz.U. No. 39/96 pos. 171).
5. *Official Unified Text of the Council of Ministers' Regulation of January 25, 1994 on Investment Tax Deductions and Income Tax Reductions*.
6. *Law of April 15, 1996 on the Amendment to the Civil Procedural Code, Bankruptcy Law,*

*This report was prepared by Dariusz Oleszczuk and Wojciech Machała of Salans Hertzfeld & Heilbronn in Warsaw, Poland.

Law on Arraignment Proceedings, Administrative Procedural Code, Law on Court Fees in Civil Cases and Certain Other Acts (Dz.U. No. 43/96 pos. 189). This law is an extensive amendment to the Civil Procedural Code concerning in particular the appeal system. An additional second stage of appeal (cassation) was introduced, replacing an existing "quasi-appeal," called the "extraordinary appeal"; the first stage of appeal (appeal sensu stricto) was restated. Furthermore, trial in the first instance by a bench comprising a professional judge and two lay judges was in principle replaced by trial by a single professional judge. The court's duty to gather evidence ex officio in order to discover the "material truth" was extensively limited. Legal advisers were admitted as attorneys in all civil cases (although, as the Law on Legal Advisers of 1982 has not yet been amended accordingly, courts generally refuse to admit legal advisers as attorneys of natural persons in cases that do not involve the business activity of these persons). Amendments to other above-mentioned acts concerned procedural issues, and were closely linked to the amendments to the Civil Procedural Code. The amendments came into force as of July 1, 1996 (subject to minor provisos).

7. *Law of March 15, 1996 on the Amendment of the Law on Acquisition of Real Estate by Foreign Persons* (Dz.U. No. 45/96; unified text in Dz.U. No. 54/96 pos. 245). The amendment extended the range of real property that foreign persons can acquire without the consent of the Minister of Internal Affairs. On the other hand, the amendment introduced the requirement that a foreign person must have the Minister's consent for the acquisition of shares in a Polish company controlled by any foreign person, if such a company owns or has the right of perpetual usufruct of real estate in Poland. The effective date is May 4, 1996. The law is discussed in detail in the Summer 1996 issue (Vol. 1, No. 1) of the *Central European Law Committee Newsletter*.
8. *Law of March 29, 1996 on the Amendment of the Law on Companies with Foreign Participation* (Dz.U. No. 45/96 pos. 199). Certain restrictions imposed on foreign investors were abolished. An administrative permit is no longer required to establish companies in Poland or to purchase shares in existing Polish companies operating in such areas as real estate transactions, wholesale trade in imported consumer goods, or provision of legal services. Unlike under the previous legal regime, a foreign investor may contribute capital to a Polish company in foreign currency. The amendment also equalized the position of Polish entities and entities with foreign participation vis-à-vis investment tax relief. The effective date is May 3, 1996. The law is analyzed in the Summer 1996 issue (Vol. 1, No. 1) of the *Central European Law Committee Newsletter*.
9. *Law of August 23, 1996 on the Amendment of the Civil Code* (Dz.U. No. 114/96 pos. 542). The law contains a number of amendments concerning legal concepts from all four Books of the Civil Code. The notable ones are the introduction of monetary compensation for a person in the case of infringement of his/her personal interests (name, health, image, reputation, etc.); the introduction of the possibility for a buyer to seek a parallel remedy against both the seller and the manufacturer of defective goods (where the manufacturer has issued a "quality guarantee certificate"); and the introduction of the possibility of relying on the *rebus sic stantibus* proviso in commercial relationships between professional entities. The effective date is December 27, 1996. The amendments are addressed in the Winter 1997 issue (Vol. 2, No. 1) of the *Central European Law Committee Newsletter*.
10. *Law of October 7, 1996 on the Commercialization and Privatization of State Enterprises* (Dz.U. No. 118/96 pos. 561). The new law replaces the Law on Privatization of State

Enterprises of 1990. The law regulates the transformation of a state enterprise into a commercial law company (commercialization) and the transfer of shares in such "commercialized" entities (indirect privatization) and the sale or other disposition of the business of a state enterprise (direct privatization). The effective date is April 8, 1997.

11. *Law of September 12, 1996 on the Amendment of the Law on Lottery Games and Mutual Bets and Certain Other Acts* (Dz.U. No. 132/96 pos. 621). Promotional lotteries (arrangements in which a customer by the acquisition of a certain product qualifies for participation in the drawing of a prize) are now included in the range of lottery games for which the Minister of Finance's consent is required. Unlike other lottery games, a promotional lottery may be organized by a company with foreign participation. The effective date is January 1, 1997.
12. *Law of November 21, 1996 on the Amendment of the Natural Persons Income Tax Law* (Dz. U. No. 137/96 pos. 638). This law is an extensive amendment concerning most fields to which the law relates (definition of income, exceptions, costs, thresholds, rates, etc.). The effective date is January 1, 1997 (subject to provisos).
13. *Law of November 21, 1996 on the Amendment of the Legal Persons Income Tax Law* (Dz.U. No. 137/96 pos. 639). This law is an extensive amendment relating mostly to permissible deductions from a legal person's income (in particular, the so-called investment deductions). The rate of income tax has also been amended (the amendment introduced different rates for: 1997-38%; 1998-36%; 1999-34%; and 2000-32%). Effective date: January 1, 1997.
14. *Law of November 21, 1996 on the Amendment to the Law on Goods and Services Tax (VAT) and the Penal Fiscal Law* (Dz.U. No. 137/96 pos. 640). This law contains a number of amendments regulating different fields within the scope of the law (including exceptions from VAT and certain tax proceedings with respect to VAT). The effective date is April 1, 1997 (subject to minor provisos).
15. *Law of December 6, 1996 on Registered Pledge and the Register of Pledges* (Dz.U. No. 149/96 pos. 703). The law introduced the possibility of establishing a pledge that does not require any transfer of possession of a pledged asset (registration in the Register of Pledges is required). Previously, such a pledge could only be established to secure a debt owed to a bank. Pledges to secure a debt owed to any business entity will be possible under the new law. The effective date is January 1, 1998 (subject to minor provisos).
16. *Law of November 7, 1996 on the Amendment of the Law on Fiscal Control* (Dz.U. No. 152/96 pos. 719). This law is an extensive restatement of the Law on Fiscal Control regulating the field of fiscal control in a more detailed manner. The amendment introduced concepts of "fiscal confidentiality" of certain data and "special fiscal supervision" over production, import, export, and trade in certain goods subject to excise tax (the list of which will be established by the Minister of Finance). Under the amendment, the fiscal control authorities will have an extended scope of competence vis-à-vis activities under special fiscal supervision (including supervision on a permanent basis). The effective date is January 7, 1997.

Romania*

1. *Copyright Law*, Law No. 8/1996 (M.O. No. 601996). This legislation clearly protects computer software and other forms of expression fixed in modern media. Although the

*This report was prepared by Andrew B. Kingston of Kingston, Petersen, S.A. in Bucharest, Romania.

new law provides the Romanian Copyright Office with significant enforcement tools, budgetary restrictions have severely limited the number of enforcement actions to date.

2. *Competition Law*, Law No. 21/1996 (M.O. No. 88/1996). Prohibits "acts and facts that have or may have as their effect the limitation, prevention or distortion of competition" including acts internationally recognized to be anticompetitive or to further economic concentration. The new law applies to events occurring on the territory of Romania, as well as abroad, if the effects are felt in Romania. The Competition Law is analyzed in the Winter 1997 issue (Vol. 2, No. 1) of the *Central European Law Committee Newsletter*.
3. *Telecommunication Law*, No. 74/1996 (M.O. No. 156/1996). Sets forth rules and procedures by which all forms of telecommunications service shall be provided in Romania. Establishes the principle of competition among licensed service providers.
4. *Law Regarding the Transformation of the Private Ownership Funds into Investment Companies*, Law No. 103/1996 (M.O. No. 235/1996). Under Romania's early privatization plan, five private ownership funds held thirty percent of the shares in former state enterprises on behalf of the general public, who held vouchers representing an interest in each private ownership fund. With the advent of mass privatization in 1996 and the transfer of equity directly to individual Romanians, this legislation transforms private ownership funds into investment companies that will manage a portfolio of shares for the benefit of their participants.
5. *Decision with Respect to the Approval of Norms for the Application of Government Ordinance No. 3/1992 Regarding Value Added Tax*, Government Decision No. 1178/1996 (M.O. No. 311/1996). Brings Romanian VAT legislation closer to European norms by clarifying when a zero rate is available for exports.

Slovak Republic*

Set forth below is a list of the most important commercial legislation, regulations, and court decisions enacted, issued, or rendered in the Slovak Republic in 1996 in the order published in the Collection of Laws (*Zbierka zákonov*, abbreviated herein as Coll.) through December 11, 1996. All acts (statutes) of Parliament (called the National Council of the Slovak Republic), certain government decrees and Ministry rules and regulations, and the holdings of all Constitutional Court decisions are numbered, starting anew each year, and published in general chronological order in the Collection of Laws. The citations refer to the assigned number and the year. Decisions of other courts in the Slovak Republic are published only sporadically and do not appear in the Collection of Laws. For detailed discussion of most of the acts and decisions below, please see the Summer and Fall 1996 issues (Vol. 1, Nos. 1 and 2) of the *Central European Law Committee Newsletter*.

1. *Act of the National Council of the Slovak Republic No. 58/1996 Coll. Amending Act on Banks and Other Acts*. Among other changes, these amendments introduce the rules for mortgage banking.
2. *Act of the National Council of the Slovak Republic No. 118/1996 Coll. on Protection of Deposits and Amending Some Acts*. This act establishes deposit insurance for certain deposits of natural persons in Slovak banks.
3. *Act of the National Council of the Slovak Republic No. 119/1996 Coll. on Concession Procurement*. This act sets out the rules for procuring concessions to construct, finance, and operate certain public infrastructure projects, such as highways and utilities.

*JUDr. Ivo Bárta is a member of the firm White & Case in Prague, Czech Republic. Susan Tietjen is a member of the firm Altheimer & Gray in Bratislava, Slovak Republic.

4. *Act of the National Council of the Slovak Republic No. 120/1996 Coll. Amending Act of the National Council of the Slovak Republic on Public Procurement, Services and Public Works* (Act on Public Procurement). These amendments detail the procedural rules relating to the provision of goods, services, and public works paid for from public funds.
5. *Holding of the Constitutional Court of the Slovak Republic No. 135/1996 Coll. of April 3, 1996 Declaring the Inconsistency of § 6 of Act of the National Council of the Slovak Republic on Securing State Interests in the Privatization of Strategically Important State Enterprises and Joint Stock Companies, with the Constitution of the Slovak Republic and Constitutional Act No. 23/1991 Coll. Introducing a Bill of the Basic Rights and Freedoms*. This decision declared unconstitutional certain provisions of the Act on Strategic Interests of the State that granted to the State rights to influence strategic companies in which it owns a less than controlling share.
6. *Act of the National Council of the Slovak Republic No. 180/1996 Coll., the Customs Act*. The new Customs Act replaces the previous federal Customs Act of 1992.
7. *Act of the National Council of the Slovak Republic No. 214/1996 Coll. Amending Act of the National Council of the Slovak Republic No. 192/1995 Coll. on Securing the State Interests in Privatization of the Strategically Important State Enterprises and Joint Stock Companies*. These amendments added the most important Slovak financial institutions for a limited time to the list of strategic companies.
8. *Act of the National Council of the Slovak Republic No. 218/1996 Coll. on Arbitration Proceedings*. This act replaces the previous Act on Arbitration.
9. *Act of the National Council of the Slovak Republic No. 220/1996 Coll. on Advertising*. This act is the first general law regulating advertising.
10. *Act of the National Council of the Slovak Republic No. 292/1996 Coll. Amending Act on Bankruptcy and Composition*. Among other changes, these amendments exempt from bankruptcy proceedings the state enterprises and joint stock companies listed as strategic companies under the Act on Strategic Interests of the State.
11. *Regulation of the Ministry of Finance of the Slovak Republic and the National Bank of Slovakia No. 335/1996 Amending Regulation of the Ministry of Finance of the Slovak Republic and the National Bank of Slovakia Implementing Some Provisions of the Foreign Exchange Act*. This regulation further liberalizes the foreign exchange rules by allowing, without the need for a foreign exchange permit, direct investments by Slovak residents in OECD countries and certain loans (with a maturity of at least three years or export loans from an OECD country) from non-Slovak residents to Slovak residents. It also removed the amount limitations on the import and export of Slovak crowns and foreign currency.
12. *Holding of the Constitutional Court of the Slovak Republic No. 352/1996 of November 14, 1996 Declaring the Inconsistency of § 10 paragraph 1 and 10 § 45 paragraph 5 of Act on Conditions of Transfer of a State-Owned Property to Other Persons and Act of the National Council of the Slovak Republic, with the Constitution of the Slovak Republic*. This decision declared unconstitutional the transfer of the power to decide on direct sales in privatization from the government to the Fund of National Property.

Federal Republic of Yugoslavia (Serbia and Montenegro)*

1. *Company Law*. (Order of the President of the Federal Republic of Yugoslavia No. 188, Official Gazette of FRY No. 29/96, June 26, 1996). The intent of the new law is to

*This report was prepared by Lalin Radovan of Lalin Radovan Law Office in Novi Sad, Federal Republic of Yugoslavia.

create a modern environment for business in a free market economy. The law is modern and compatible with the commercial codes of most Western European countries, and is thus understandable and clear for potential foreign investors. The new law is much more detailed than the prior law, and thus easier to use. The Winter 1997 issue (Vol. 2, No. 1) of the *Central European Law Committee Newsletter* carries a detailed analysis of the Company Law.

2. *Foreign Investments Law*. The Foreign Investments Law is not new, but was revised and amended in 1996. Foreign investors are permitted to carry out any kind of business, with only a few exceptions (covering the military industry and the location of production premises). Generally, what is allowed for domestic businesses is allowed for foreign businesses. Foreign investors need a license from the Federal Ministry of Trade, which is not difficult to obtain. Tax holidays, and relief from import duties, may be available.
3. *Law on Companies Established and Operating Under Special Conditions*. Montenegro, part of the Federal Republic of Yugoslavia, has created an "offshore" center for international business. Net profits of offshore companies are subject to tax at a 2.5% rate. Offshore companies established under the Montenegrin law are considered Yugoslavian companies. The offshore companies are permitted to carry out international trade and to provide management and consulting services, maritime administration, banking and insurance services, etc. They are also permitted to carry out certain business activities in Yugoslavia, including the export of products and services from Yugoslavia and the production of films and compact discs in Montenegro. Offshore companies are permitted to invest in Montenegro with the consent of the government of Montenegro.